



# CITY OF LODI

## COUNCIL COMMUNICATION

AGENDA TITLE: Authorize Impact Fee Transfer of \$2 Million to the General Fund and Appropriate \$2 Million for Design and Interim Measures for the Public Safety Complex Project

MEETING DATE: March 30, 2000

PREPARED BY: Public Works Director

RECOMMENDED ACTION: That the City Council authorize the transfer of Development Impact Mitigation Fee funds as described below and appropriate \$2,000,000 for the Public Safety Building Project Design and Acquisition Phase

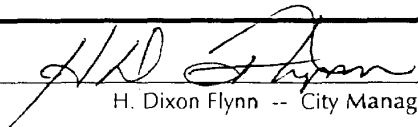
BACKGROUND INFORMATION: The City collects Development Impact Mitigation fees for a variety of municipal projects and, in accordance with State law, places the money in separate funds. Many projects utilize multiple funding sources and funds are typically transferred into the primary project funding source "fund". In addition, the impact fee funds can be used to "reimburse" other funds for previous expenditures which have been made prior to the funds being available in the impact fee fund. With that background, the following actions are recommended for the Public Safety Building project:

- Transfer \$1,000,000 from the Parks & Recreation Development Impact Mitigation Fee fund to the General Fund Capital fund as repayment for funds expended on the community center (Hutchins Street Square).

When the impact mitigation fees were established in 1991, approximately \$4,000,000 was included in the program for community facilities (Exhibit A). The Parks and Recreation Master Plan, adopted later, kept the same total fee program cost (\$18,338,200) but reduced the amount for "Indoor Recreation Space" to \$2,100,000 and indicated the allocation to the Square or other facilities would be determined later (Exhibit B). Since the Square has been completed using General Fund dollars, it is appropriate to reimburse the General Fund from the impact fee fund. City staff performed calculations supporting using up to the entire \$2,100,000 for the Square, however given the need for other community facilities, at this time, staff is recommending that only \$1,000,000 be transferred.

The Parks IMF fund has over \$2,000,000 in cash which will leave adequate funds to pursue other projects.

APPROVED:

  
H. Dixon Flynn -- City Manager

- Transfer \$1,000,000 from the General City Facilities Development Impact Mitigation Fee fund to the General Fund Capital fund toward the City Hall expansion project.

This project was included in the fee program and is being accomplished in a number of phases, some completed and some still to come; the main ones being the renovation of the Carnegie Forum Basement, the lease and tenant improvements to the Beckman Building (City Hall Annex), City Hall remodel, and the future expansion of City Hall, which will consist of renovating the Public Safety Building for general government use. The fee program (Exhibit C) included just over \$3,000,000 for the project. Approximately \$900,000 have been charged to the IMF for this project to date. Although the "project" currently planned is not exactly the same as the one originally contemplated, an additional \$1,000,000 is appropriate and justifiable. As the project becomes finalized, we may be justified in using additional IMF funding for debt service payments.

The General City Facilities IMF has a balance of approximately \$1,400,000 and can support the recommended transfer.

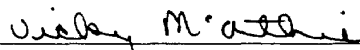
- Appropriate \$2,000,000 from the General Fund Capital fund for the design and acquisition phase of the Public Safety Building project.

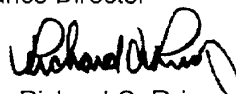
This phase of the project provides for final design of the new Police building and acquisition of the one remaining parcel needed for the project. Also included are funds for preliminary design of the remodeling of the old Public Safety Building to accommodate Fire Station 1 and other governmental office uses. It does not commit the City to a final financing method nor to actual construction. The design of the parking structure is not included and would be done at a later date.

The City Council has also directed staff to pursue interim improvements to the heating/ventilating and air-conditioning (HVAC) systems at the existing Public Safety Building. Public Works staff has been working with the Electric Utility Department and their consultant, Energy Masters, Inc., on some innovative approaches to HVAC issues at this and our other Civic Center buildings and will be providing additional information at the Council meeting.

FUNDING: \$2,000,000 - General Fund Capital

Funding Available:

  
Finance Director

  
Richard C. Prima, Jr.  
Public Works Director

Prepared by Richard Prima, Public Works Director

RCP/pmf

cc: Police Chief  
Electric Utility Director

TABLE 9-4  
DEVELOPMENT RELATED CAPITAL COSTS AND PHASING  
PARKS AND RECREATION

21-Aug-91

Project Number	Description	Program Cost	Impact Fee	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997-2002	2002-2007
MPR029	Zupo Field Upgrade Electrical & Sports Lighting	\$81,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MPR031	Hale Park General Improvements	\$298,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MPR033	Community Buildings (City-Wide)	\$4,510,000	\$4,329,600	\$0	\$288,640	\$288,640	\$288,640	\$288,640	\$288,640	\$1,443,200	\$1,443,200
MPR034	Blakely Park Upgrade Lighting	\$22,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MPR035	Salas Park Protective Shade Structures	\$51,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MPR036	Salas Park Fenced Diamond Area	\$9,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MPR037	Emerson Park Restroom Replacement	\$178,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MPR038	Pixely Park (C - Basin) General Improvements	\$465,000	\$465,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$465,000
MPR039	Westgate Park Improvements	\$353,000	\$353,000	\$0	\$0	\$0	\$0	\$0	\$353,000	\$0	\$0
MPR040	Area #1 Park (3ac.)	\$459,000	\$459,000	\$0	\$0	\$0	\$0	\$0	\$0	\$459,000	\$0
MPR041	Area #3 Park & Pool (3ac.)	\$712,000	\$712,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$712,000
MPR042	Area #4 Park	\$1,462,000	\$1,462,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,462,000
MPR043	Area #6 Park Improvements	\$1,377,000	\$1,377,000	\$0	\$0	\$0	\$0	\$0	\$0	\$688,500	\$688,500
MPR044	Area #5 Park Improvements	\$1,148,000	\$1,148,000	\$0	\$0	\$0	\$400,000	\$400,000	\$35,000	\$313,000	\$0
MPR045	Area #7 Park Improvements	\$1,660,000	\$1,660,000	\$0	\$0	\$166,000	\$0	\$1,494,000	\$0	\$0	\$0
MPR046	Eastside Park General Park Improvements.	\$307,000	\$307,000	\$0	\$0	\$0	\$0	\$0	\$0	\$307,000	\$0

Table 34  
Improvement Costs by Facility - 1992  
Lodi Park and Recreation Plan

Site No.	Park/Facility	Total Cost	Park Impact Fees	Other Sources
PARK UPGRADE/IMPROVEMENTS				
M-1	Candy Cane Park			
M-2	Century Park			
N-1	Lodi Lake Neighborhood Park	\$155,300		\$155,300
N-2	Van Buskirk Park	93,300		93,300
N-5	Henry Graves Park	61,300		61,300
N-6	Emerson Park	44,300		44,300
N-7	Hale Park	8,400		8,400
N-10	Vinewood Park	124,200		124,200
N-11	American Legion Park	186,800		186,800
N-12	John Blakely Park	142,300		142,300
N-16	Beckman Park	193,900		193,900
N-17	English Oaks Commons	31,400		31,400
C-2	Lodi Recreation Complex			
	Armory Park	450,600		450,600
	Softball Complex	119,200		119,200
	Zupo Field	155,300		155,300
	Lawrence Park	35,700		35,700
	Grape Bowl			
C-3	Kofu Park	184,900		184,900
C-5	Salas Park	50,000		50,000
R-1	Lodi Lake Park (existing)	1,241,000		1,241,000
S-2	Maple Square			
S-3	Needham School			
OS-1	Lodi Lake Nature Area			
OS.2	Mokelumne River Greenway			
	SUBTOTAL	\$3,277,900		\$3,277,900
NEW PARK/FACILITY DEVELOPMENT				
N-3	Millswood Park	1,023,000		1,023,000
N-4	Westgate Park	790,400	\$785,000	5,000
N-8	Lincoln School Park	692,300		692,300
N-9	Cochran Park	1,683,400	1,683,400	-
N-13	Rog'et Park	893,000	893,000	-
N-14	Village Street Park	387,100		387,100
N-15	Century Meadows Park	850,000	850,000	-
N-18	Eastside Park	1,715,300	1,715,300	-
N-19	Southwest Park	568,000	568,000	-
N-20	Woodbridge Park	1,545,500	1,545,500	-
C-4	DeBenedetti Park	2,923,000	2,174,000	749,000
R-1	Lodi Lake Park	1,816,000	1,816,000	
S-4	Pixley Park	5,269,600	4,194,000	1,075,600
OS-3	Arnaiz Property *	50,000	14,000	36,000
	Park Maintenance Shops *	897,900		897,900
	Indoor Recreation Space	13,892,200	2,100,000	11,792,200
	Indoor Recreation Center **	3,892,200	**	**
S-1	Hutchins Street Square	10,000,000	**	**
	Outdoor Swimming Pool *	1,800,000		1,800,000
	SUBTOTAL	\$36,796,700	\$18,338,200	\$18,458,100
	TOTAL	\$40,074,600	\$18,338,200	\$21,736,000

\* Eligible for impact fees except for a small portion attributed to non-residents

\*\* Allocation of impact fees and other funds to the indoor recreation center and Hutchins Street Square are to be determined at a later date.



TABLE 10 - 2  
DEVELOPMENT RELATED CAPITAL COSTS AND PHASING  
GENERAL CITY FACILITIES

21/08/91

Project Number	Location	Program Costs	Impact Fee	1991/02	1992/03	1993/04	1994/05	1995/06	1996/07	1997-2002	2002-2007
GCFI001	City Hall Remodel and Addition	\$4,215,000	\$3,055,875	\$0	\$700,000	\$700,000	\$0	\$0	\$0	\$1,655,875	\$0
GCFI002	Civic Center Parking Lot Expansion 13 N. Church.	\$141,000	\$141,000	\$0	\$0	\$0	\$0	\$0	\$141,000	\$0	\$0
GCFI008	Property acquisition, 217 E. Lockeford.	\$213,000	\$213,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$213,000
GCFI009	Parking Lot Improvements, NE corner of Lockeford and Stockton.	\$70,000	\$70,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$70,000
GCFI010	Library Expansion	\$2,900,000	\$2,900,000	\$0	\$0	\$0	\$0	\$0	\$0	\$2,900,000	\$0
GCFI011	Public Works - Trucks	\$750,000	\$750,000	\$46,875	\$46,875	\$46,875	\$46,875	\$46,875	\$46,875	\$234,375	\$234,375
GCFI012	Public Works - Pickups and Sedans	\$715,000	\$715,000	\$44,688	\$44,688	\$44,688	\$44,688	\$44,688	\$44,688	\$223,438	\$223,438
GCFI013	Public Works - Air Compressors	\$90,000	\$90,000	\$5,625	\$5,625	\$5,625	\$5,625	\$5,625	\$5,625	\$28,125	\$28,125
GCFI014	Public Works - Misc. Office Equipment	\$65,500	\$65,500	\$4,094	\$4,094	\$4,094	\$4,094	\$4,094	\$4,094	\$20,469	\$20,469
GCFI015	Finance - Misc. Office Equipment	\$181,700	\$181,700	\$11,356	\$11,356	\$11,356	\$11,356	\$11,356	\$11,356	\$56,781	\$56,781
GCFI016	Finance Computer (AS 400 Upgrade)	\$72,000	\$72,000	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$22,500	\$22,500
GCFI017	Fee Program Monitoring	\$2,560,000	\$2,560,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$800,000	\$800,000
CODV001	General Plan Update 1987	\$411,109	\$411,109	\$411,109	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CODV002	General Plan Update 1997	\$250,000	\$250,000	\$0	\$0	\$0	\$0	\$0	\$250,000	\$0	\$0
CODV003	General Plan Update 2002	\$250,000	\$250,000	\$0	\$0	\$0	\$0	\$0	\$0	\$250,000	\$0
TOTAL CITY FACILITIES		\$12,884,309	\$11,725,184	\$688,247	\$977,138	\$977,138	\$277,138	\$277,138	\$668,138	\$6,191,563	\$1,668,688

RESOLUTION NO. 2000-44

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING  
IMPACT FEE TRANSFER OF \$2 MILLION TO THE GENERAL  
FUND AND APPROPRIATE \$2 MILLION FOR DESIGN AND  
INTERIM MEASURES FOR THE PUBLIC SAFETY COMPLEX  
PROJECT

=====

WHEREAS, the City collects Development Impact Mitigation Fees for a variety of municipal projects; and

WHEREAS, many projects utilize multiple funding sources and funds are typically transferred into primary project funding source "fund," and

WHEREAS, impact fee funds can be used to "reimburse" other funds for previous expenditures which have been made prior to the funds being available in the impact fee fund; and

WHEREAS, staff recommends the following actions be taken for the Public Safety Building project:

- 1) Transfer \$1,000,000 from the Parks & Recreation Development Impact Mitigation Fee fund to the General Fund Capital fund as repayment for funds expended on the community center;
- 2) Transfer \$1,000,000 from the General City Facilities Development Impact Mitigation Fee fund to the General Fund Capital fund toward the City Hall expansion project;
- 3) Appropriate \$2,000,000 from the General Fund Capital fund for the design and acquisition phase of the Public Safety Building project.

WHEREAS, the City Council has also directed staff to pursue interim improvements to the heating/ventilating and air-conditioning (HVAC) systems at the existing Public Safety Building; and

WHEREAS, staff has been working with the Electric Utility Department and their consultant, Energy Masters, Inc. on some innovative approaches to HVAC issues at this and our other Civic Center buildings.

BE IT RESOLVED, that the Lodi City Council hereby authorizes the transfer of Development Impact Mitigation Fee funds as described above and appropriates \$2,000,000 for the Public Safety Building Project Design and Acquisition Phase.

Dated: March 30, 2000

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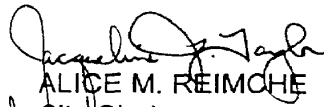
I hereby certify that Resolution No. 2000-44 was passed and adopted by the City Council of the City of Lodi in a special meeting held March 30, 2000, by the following vote:

AYES: COUNCIL MEMBERS – Land, Nakanishi, Pennino and Mann  
(Mayor)

NOES: COUNCIL MEMBERS – Hitchcock

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None

  
ALICE M. REIMCHE  
for City Clerk

**Consideration of  
the Public Safety Building Financing Plan  
and Revenue & Expenditure Assumptions**

**Presented to the Lodi City Council**  
*by Susan Hitchcock*

Carnegie Forum  
Lodi, CA  
March 30, 2000



## THREATS TO GENERAL FUND REVENUE

\* Reduction of 4% in Sales Tax Revenue due to growth in Internet Sales. “The long-term future of the sales tax as a vital source of support for local services is in serious jeopardy.”

National League of Cities 1999

\* *“California will lead the U.S. in Internet-commerce growth, both consumer purchases on the Net and business-to-business e-commerce.”* The California Kiplinger Letter (March 15, 2000)

\* “Bubble Money” economy - growth from capital gains in the stock market has resulted in reluctance by the State to do anything except give one-time money to cities.

\* Although sales and use tax has grown rapidly since 1993 it represents a recovery of lost revenue resulting from California’s economic downturn in the early 1990s. Since 1990, this revenue has a growth rate of only 1.9%. Valley towns were even harder hit.

**Reported by Keith Curry, Managing Director,  
Public Financial Management, Inc., Newport Beach**

\* On going legal cost associated with TCE/PCE groundwater contamination clean up.

\* Binding arbitration costs to pay for arbitrator, attorney and expert witnesses (approx. \$150,000 each bargaining group).

- Loss of Motor Vehicle In-Lieu Fees due to initiative to appear on ballot (lost revenue \$2-3,000,000 per year).

# **Elimination of Motor Vehicle In-Lieu Fees**

<b><u>Year</u></b>	<b><u>DMV Fees Revenues</u></b>
1993-94	\$1,885,180
1994-95	\$2,023,190
1995-96	\$2,143,507
1996-97	\$2,270,423
1997-98	\$2,220,518
1998-99	\$2,270,423
1999-2000	\$2,356,446
2000-01	\$2,445,729
2001-02	\$2,538,395
2002-03	\$2,634,571
2003-04	\$2,734,392
2004-05	\$2,837,994
2005-06	\$2,945,522
2006-07	\$3,057,124
2007-08	\$3,172,955
2008-09	\$3,293,174
2009-10	\$3,417,948

Assemblyman McClintock is pushing a statewide initiative to eliminate Motor Vehicle In-Lieu Fees.

# Transfers To The General Fund From the Electric Utility

<u>Year</u>	<u>Public Safety Finance Plan</u>	<u>Electric Utility Bond Plan</u>
1993-94	\$3,218,690	
1994-95	\$4,160,000	
1995-96	\$4,174,800	
1996-97	\$4,085,800	
1997-98	\$4,292,067	
1998-99	\$4,275,047	
1999-2000	\$4,317,797	\$4,220,000
2000-01	\$4,360,975	\$4,220,000
2001-02	\$4,404,585	\$4,220,000
2002-03	\$4,448,631	\$4,220,000
2003-04	\$4,493,117	\$4,220,000
2004-05	\$4,538,049	\$4,220,000
2005-06	\$4,583,429	\$4,220,000
2006-07	\$4,629,263	\$4,220,000
2007-08	\$4,675,556	\$4,220,000
2008-09	\$4,722,312	\$4,220,000
2009-10	\$4,769,535	\$4,220,000

Electric Utility General Fund Transfers in the Public Safety Finance Plan are not the same as those projected in the Electric Utility Bond Financing Plan.

## **Comments By Standard & Poor's Bond Rating Agency**

*“Rating on Lodi, CA electric system certificates, secured by net system revenues, reflect: the intent to continue subsidizing the general fund with electric revenues, about 10%”*

*“Business plan is focused on rates and includes the following efforts: Controlling the general fund transfer.”*

*“Also included in this rate model is an ongoing transfer to the general fund, changes in this policy could further ease rates.”*

The City is committed to remaining competitive in a deregulated, restructured Electric Utility market by maintaining low utility rates and reliable service. A \$32,000,000 bond financing plan was predicated on this commitment and investors expect us to uphold the plan.

**The electric utility system is no longer in a position to be a safety net for shortfalls in revenues or excessive expenditures.**

## Other Sources and Uses or Soft Numbers

Cushion or Funds which City Thinks will be Available,  
But Cannot Absolutely Count On

<u>Year</u>	<u>Other Sources &amp; Uses</u>
1999-2000	\$876,000
2000-01	\$961,000 *
2001-02	\$697,910
2002-03	\$704,889
2003-04	\$771,938
2004-05	\$719,057
2005-06	\$726,248
2006-07	\$733,510
2007-08	\$740,846
2008-09	\$784,254
2009-10	\$755,737

Salaries	\$191,000	(Step differential & vacant positions)
PERS	\$500,000	(Miscellaneous category employees)
Misc.	<u>\$185,000</u>	(Grant money, excess over budgeted)
	\$961,000 *	

- Providing 3% at 50 Retirement Benefit for Public Safety Fire employees will annually cost an additional \$130,000 after five years.
- Providing 3% at 50 Retirement Benefit for Public Safety Police employees will annually cost an \$330,594 immediately.

# **Mid-Management Salary Increases Were Not Included in Public Safety Building Expenditures**

## **1999-2000**

Public Safety Plan: General Fund Expenses	\$29,544,208
Less Transfers Out	2,058,418
Less Library	<u>1,073,785</u>
	\$26,412,005
Budget Document: General Fund Expenses	<u>26,212,005</u>
Difference Represents Mid-Management Management Salary Increases	\$ 200,000

## **2000-2001**

Public Safety Plan: General Fund Expenses	\$29,952,471
Less Transfers Out	2,093,141
Less Library	<u>1,086,285</u>
	\$26,773,045
Public Safety Plan: General Fund Expenses	<u>\$26,773,045</u>
No Difference for Mid-Management Salaries	\$ 0

- **Projected Expenditures reflect an annual shortfall of \$200,000 plus growth at 3.5 %.**
- **In 2010 the shortfall will be over \$282,000.**

## SELF-INSURED FUND

(Dental, Chiropractic, Workers' Compensation, Liability & Unemployment Insurance)

1993-94	\$1,546,085
1994-95	\$1,536,326
1995-96	\$2,016,347
1996-97	\$1,337,846 *
1998-99	\$1,182,005 **
1999-2000	\$ 669,485 ***
2000-01	\$ 669,485
2001-02	\$ 669,485
2002-03	\$ 669,485
2003-04	\$ 669,485
2004-05	\$ 669,485
2005-06	\$ 669,485
2006-07	\$ 669,485
2007-08	\$ 669,485
2008-09	\$ 669,485
2009-10	\$ 669,485

**\* \$1,951,559 Fund Deficit** - Auditor expressed concerns stating “*future adjustments may be necessary.*” KPMG Peat Marwick, Audited Annual Financial Report.

**\*\* \$1,316,049 Fund Deficit** - Again auditors expressed concerns and stated, “*future adjustments may be necessary.*” KPMG reviewed actuarial valuation and “*determined the liability is reasonable.*”

**\*\*\*** Actuarial study recommended funding of \$1,453,624 for 1999-2000 and stated, “*the recommended funding is the least amount that may be funded as to not diminish equity.*”

**The City did not budget the liability recommended by the actuary.**

# **FULL-EMPLOYMENT ECONOMY**

- 45% of the workforce is baby boomers retiring in the next 5 to 10 years.
- Employees to replace baby-boomers will only account for 30% of the workforce (15% shortage).
- The labor market will require a 25% growth in the workforce.
- Therefore, a 40% workforce shortage is predicted.
- It will be more important than ever for cities to be competitive with salary and benefits in order to attract and retain a quality workforce.

## **Bargaining Group Negotiations (Jan. 2001):**

- 15% Salary Survey implementation for Public Safety: Fire employees to bring them to the mean of comparable cities will annually cost an additional \$390,000.



# What Economists Are Saying About the Full-Employment Economy

- *“Wages will climb 4.2% in 2000 on average. Unrelenting labor tightness is one of the reasons.”*

The Kiplinger Letter (March 3, 2000)

- *“On the labor market: Worker scarcity is a long-term problem. Labor may get even tighter in next few months. Today’s job-generating economy just worsens the underlying shortage.”*

The Kiplinger Letter (Feb. 11, 2000)

- *“Second quarter statewide net hiring gain will come out to 29% for this year.”*

The Kiplinger California Letter (March 1, 2000)

- *“Pay raises will average 4.2%. No sign that the tight job market will loosen anytime soon. More companies will use signing bonuses and stock options to get workers. Recruitment costs will keep rising.”*

The Kiplinger Letter (March 17, 2000)

# Debt Repayment as a Percentage of General Fund Revenues

<u>City</u>	<u>Pop.</u>	<u>General Fund Revenue</u>	<u>General Fund Debt</u>	<u>Annual Payment</u>	<u>Debt Ratio</u>
Antioch	81,500	\$ 20,200,750	\$ 0	\$ 0	
Ceres	32,378	\$ 8,961,370	\$ 0	\$ 0	
Chico	54,093	\$ 23,121,612	\$ 0	\$ 0	
Clovis	68,000	\$ 27,203,075	\$ 3,100,000	\$ 381,000	1.40%
Davis	47,000	\$ 19,796,000	\$ 0	\$ 0	
Fairfield	89,049	\$ 36,682,000	\$ 0	\$ 0	
<b>Lodi</b>	<b>55,700</b>	<b>\$ 29,117,049</b>	<b>\$14,500,000</b>	<b>\$1,282,309</b>	<b>4.38%</b>
Manteca	50,000	\$ 15,308,660	\$ 1,738,000	\$ 224,000	1.46%
Merced	60,000	\$ 19,457,170	\$ 0	\$ 0	
Napa	70,000	\$ 32,970,000	\$ 695,000	\$ 655,000	1.99%
Redding	75,518	\$ 37,166,000	\$21,689,936	\$1,154,356	3.11%
Roseville	66,901	\$ 59,198,902	\$ 0	\$ 0	
Stockton	243,700	\$116,098,420	\$ 0	\$ 0	
Tracy	48,000	\$ 24,753,500	\$15,875,000	\$ 1,026,600	4.15%
Vacaville	85,000	\$ 34,800,000	\$ 12,500,000	\$1,100,000	3.16%
Visalia	92,000	\$ 44,558,435	\$ 0	\$ 0	
Woodland	44,140	\$ 19,553,480	\$ 0	\$ 0	

**The City of Lodi already has a higher  
Debt Ratio than other comparable cities.**

## **Lodi's Debt Ratio After Funding Public Safety Building**

### **General**

<b><u>Fund</u></b>	<b><u>General</u></b>	<b><u>Debt</u></b>	<b><u>Debt</u></b>
<b><u>Revenue</u></b>	<b><u>Fund Debt</u></b>	<b><u>Payment</u></b>	<b><u>Ratio</u></b>
\$34,241,783	\$32,850,000	\$2,946,374	8.60%

*“Public Finance experts consider the 5% debt threshold crucial to maintain flexibility in a city’s general fund budget. Anything above 5% and we become concerned.”*

Zane Mann, Publisher of the California Municipal Bond Advisor Newsletter for Bond Investors

*“According to experts, Lodi may be taking a risky path. If the forecasts are overly optimistic tax payers will notice. When push comes to shove, services will get cut because they have to service the debt. Most California cities have debt of about 3% of their general fund budgets.”*

Robert Vincent, President of California Municipal Statistics

# **Should the Citizens of Lodi Have an Opportunity To Vote on \$18,000,000 in New Debt?**

*“Certificates of Participation have become the debt instrument of California cities. It is getting to be more and more common because it is a device that permits a governing body to issue bonds without anyone looking over their shoulder.”*

*“If this is something that is alleged to benefit the community, why do you want to hide it from community input?”*

*“Sounds as though Lodi officials are attempting to raise revenue in ways they can get away with instead of asking voters to approve the project.”*

**Gary Galles Public Finance Professor, Pepperdine University & University of California**

# Conclusions

- Can we afford to hinge the ability to pay debt on soft money which is meant to provide a cushion for the City when changes occur?
- Funding the public safety building will result in excessive dedication of General Fund revenues to service debt -- 8.6%. This is far greater than any comparable city.
- Anyway you slice it, this plan will eliminate funds which would otherwise go directly to services (Police, Fire, Parks & Recreation & Library).
- **Threats to Revenue:**
  - √ Internet sales reducing sales tax
  - √ Elimination of Vehicle License In-Lieu Fees
  - √ Correction in the Market/Economy
  - √ Electric Utility Deregulation and Competition may Force Reduction in Transfers to General Fund
- **Expenditure Threats:**
  - √ Expecting Expenditures to not exceed 3.5% for the next 10 years is unrealistic.
  - √ Cost of Binding Arbitration (\$150,000 per arbitration)
  - √ PCE/TCE Groundwater Contamination Legal Fees
  - √ Mid-Management Salary Survey Implemented (\$200,000)
  - √ Under-Funded Self-Insurance Fund (\$784,139)
  - √ Increased Personnel Costs/Full-employment economy
  - √ Increased Cost of PERS Benefits (\$460,594)
  - √ Firefighter Negotiations (15% = \$390,000)
- We have leveraged all our resources to the point we have a house of cards, if one folds, they all go. Very short-term thinking, “it will be someone else’s problem” has created this situation. An economic down turn within the next few years would devastate our city and force deep cuts in all services.